



Treasury Inspector General for Tax Administration Office of Audit

TRENDS IN CRIMINAL INVESTIGATION'S ENFORCEMENT ACTIVITIES SHOWED IMPROVEMENTS FOR FISCAL YEAR 2010, WITH GAINS IN MOST PERFORMANCE INDICATORS

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Highlights

Highlights of Report Number: 2011-30-068 to the Internal Revenue Service Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

Criminal Investigation's (CI) primary resource commitment is to develop and investigate legal source tax cases. The prosecution of these cases is key to supporting the Internal Revenue Service's (IRS) overall compliance goals, enhancing voluntary compliance with the tax laws, and promoting fairness and equity in our tax system. In addition, CI uses media and other outreach opportunities to deter financial crime and enhance voluntary tax compliance.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's Fiscal Year (FY) 2011 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives. The overall objective of this review was to provide a statistical portrayal with trend analyses of CI's enforcement activities for FYs 2006 through 2010.

WHAT TIGTA FOUND

In support of the IRS's overall effort to reduce the Tax Gap, CI achieved improved performance during FY 2010 by committing resources to legal and illegal source tax investigations and working with the IRS operating divisions to develop and investigate tax cases.

During FY 2010, CI received approximately \$658 million of the IRS's Operating Plan budget to fund the criminal investigation programs that explore potential criminal violations of the Internal Revenue tax laws, enforce criminal statutes relating to these violations, and recommend prosecution as warranted.

CI surpassed its goals for FY 2010 by expending 71.2 percent of its time on total tax investigations, with 52.6 percent of that time devoted to legal source tax investigations. CI also reported that the number

of legal source tax investigation initiations increased by 12.3 percent and the number of tax-related initiations increased by 10.6 percent. Further, the number of subjects convicted of legal source tax crimes increased 6.9 percent from FY 2009 and has increased 22.6 percent since FY 2006. Overall, the results validate that tax cases are a priority for CI.

In FY 2010, CI surpassed its goal of completing 3,900 investigations by completing 4,325. CI demonstrated efficiency in processing legal and illegal source investigations by reducing the average days elapsed to complete an investigation to 365 days, an 8.8 percentage improvement (rounded) from the FY 2009 average of 401 days. In addition, CI exceeded its FY 2010 goal of 4,000 initiated subject investigations by initiating 4,706. CI management attributes the increases to better management oversight, which includes stressing the need to complete initial interviews and fact gathering within the first few months of the investigation.

In addition, CI continues to work on increasing its special agent staffing and coordinating with the operating divisions to strengthen the Fraud Referral Program.

WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any report comments.

READ THE FULL REPORT

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201130068fr.pdf>.